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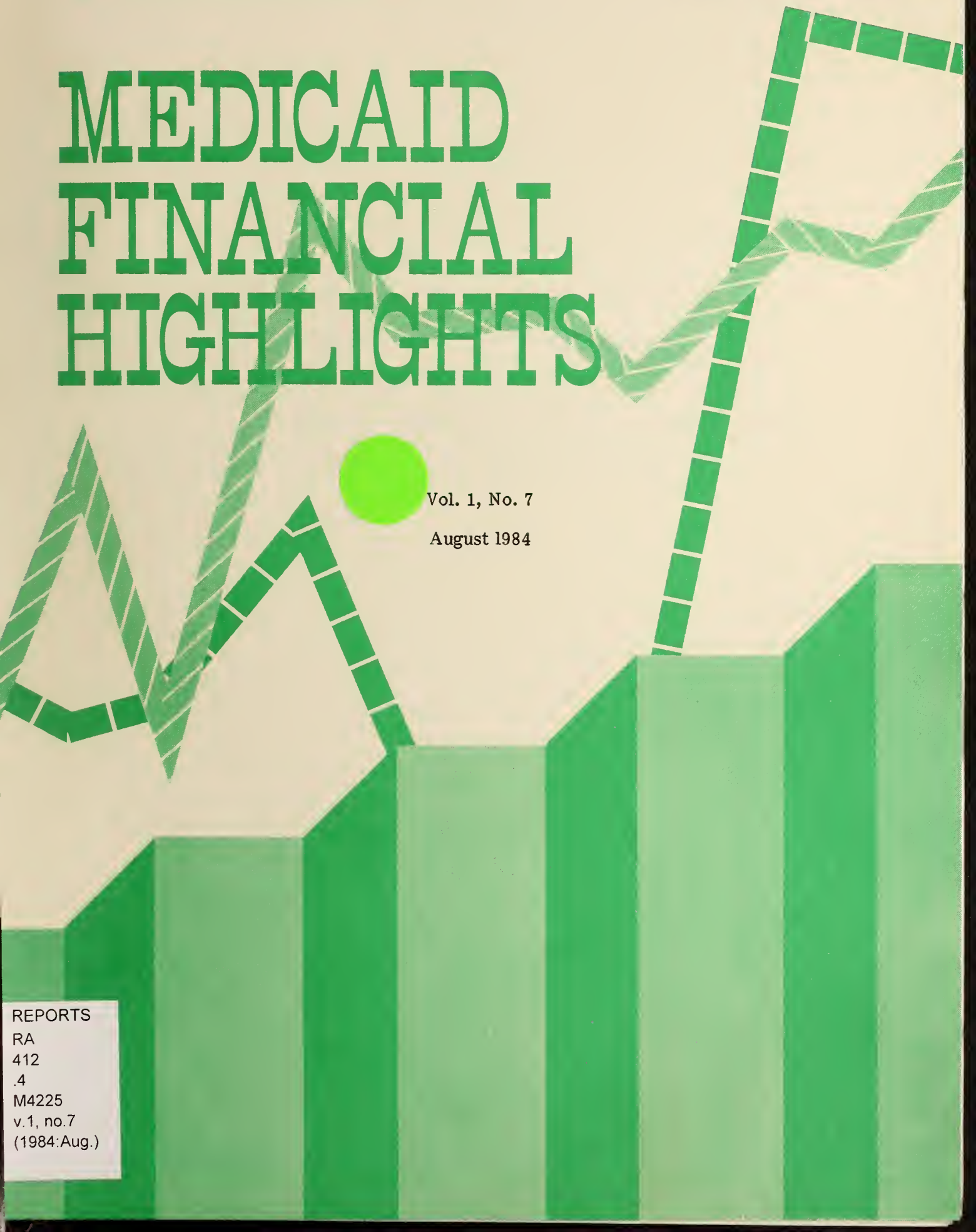

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The Medicaid Financial Highlights report reviews current issues and trends in Medicaid financial operations. The Budget Branch of the Division of State Agency Financial Management prepared this highlight. For more information on this report call Dave McNally on extension 71398 or John Lemieux on extension 46876.

National Medicaid Trends
Intermediate Care Facilities for the Mentally Retarded
Fiscal Years 1981-1986

This report provides a brief overview of the Intermediate Care Facility/Mentally Retarded (ICF/MR) benefit under the Medicaid program. The data presented herein include trends in Medical Assistance Payments (MAP) for ICF/MR services from fiscal year (FY) 1981 through FY 1986, as well as the number of Medicaid certified ICF/MR facilities and beds in FY 1984. The expenditure data used in preparing this report are based on the Form HCFA-25, Medicaid Program Budget Report, submitted by the States to the Health Care Financing Administration (HCFA) on a quarterly basis. The data for FYs 1981-1983 represent actual expenditures reported after the end of the respective fiscal years. The data for FYs 1984-1986 reflect the States' budget estimates for those years as reported on the May 1984 submisssion of the Form HCFA-25. The counts of ICF/MR facilities and beds were compiled by HCFA's Health Standards and Quality Bureau, and represent the latest information available as of June 5, 1984.

The ICF level of care was originally approved by Congress in 1967 as an amendment to Title XI of the Social Security Act. During 1971 and 1972, Congress passed legislation which transferred ICF coverage from title XI to title XIX and also provided for the ICF/MR level of care under Medicaid. While the Federal share of expenditures for ICF/MR services was less than $100 million in FY 1973, the amount of MAP made for these services grew dramatically over the next 10 years. In FY 1983, the Federal share of expenditures for ICF/MR services was over $2 billion, approximately 12 percent of all Medicaid benefit payments. This rapid rise in ICF/MR costs has been accompanied by a growing concern among HCFA managers over various issues related to this service area; e.g., facility certification, level of care, active treatment, and rate setting.

The purpose of this report is not to address any of these particular issues, but to provide insight as to recent trends in ICF/MR expenditures and the relative involvement of the various States in the ICF/MR area. The top 28 States are highlighted because they account for approximately 90 percent of all Medicaid expenditures.

CHART 1

Chart 1 provides a graphic comparison of the annual percentage growth rates in the Federal share of expenditures for ICF/MR services and total MAP from FY 1981 through FY 1986.

- While the ICF/MR growth rate in FYs 1982 and 1983 was substantially higher than the total MAP growth rate for those years, the projected ICF/MR growth rates for FYs 1984-1986 have dropped below the rates of increase anticipated by the States in their total MAP estimates.

- This decrease in the rate of ICF/MR growth coincides with a corresponding rise in Home and Community-Based Waiver services provided under the provisions of Section 2176 of the Omnibus Budget Reconciliation Act of 1981. Many of the recipients covered by these waivers are mentally handicapped individuals who might otherwise be institutionalized in ICFs/MR.

CHART 1

ANNUAL PERCENTAGE GROWTH
ICF/MR AND TOTAL MAP
FY 1981 - FY 1986
PERCENTAGE GROWTH
20
15
10
5
0
ICF/MR
TOTAL MAP
FY 81-82
FY 82-83
FY 83-84
FY 84-85
FY 85-86

TABLE 1

Table 1 displays a ranking of the States by percentage growth in MAP for ICF/MR services between FYs 1981 and 1986. The table also provides projected dollar growth (Federal share) in ICF/MR services for that period, as well as the relationship of ICF/MR expenditures to total MAP for FY 1981 and FY 1986.

- Although anticipated national growth in ICF/MR expenditures is almost 60 percent, this category has not really grown at a disproportionate rate in comparison to total Medicaid benefit payments. In FY 1981, ICF/MR services accounted for 11.3 percent of total MAP; while ICF/MR services represent 11.9 percent of total projected MAP for FY 1986.

- Florida raised its ICF/MR reimbursement rates substantially in FY 1983 as a result of revised cost reports for several prior years filed by public ICFs/MR in FY 1982. In addition, the gradual phasing-in of small "cluster homes" which began in FY 1982 is expected to continue through FY 1986. Finally, the start-up costs associated with the implementation of a new reimbursement methodology (effective July 1, 1984) are expected to raise expenditures in the short-run prior to yielding long-term cost savings.

- One of Alabama's four ICF/MR facilities was certified for participation in Medicaid after FY 1981. As this institution accounts for approximately one-third of the State's ICF/MR beds, its certification led to a major rise in Medicaid expenditures for ICF/MR services.

TABLE 1

STATES RANKED BY PERCENTAGE GROWTH IN MEDICAL ASSISTANCE PAYMENTS FOR ICF/MR: FISCAL YEARS 1981-1986
(FEDERAL SHARE, DOLLARS IN THOUSANDS)

	FY 81-86 PERCENT GROWTH ICF/MR ********	FY 81-86 DOLLAR GROWTH ICF/MR ********	FY 81 ICF/MR AS PCT OF FY 81 TOT MAP **********	FY 86 ICF/MR AS PCT OF FY 86 TOT MAP **********
FLORIDA	565.3	82,071	4.9	13.3
ALABAMA	201.2	24,981	5.7	11.9
OHIO	158.7	76,304	8.2	10.1
MASSACHUSETTS DPW	107.0	62,641	10.2	15.6
NORTH CAROLINA	96.3	44,500	14.0	17.2
SOUTH CAROLINA	94.1	22,832	11.6	15.6
MINNESOTA	92.4	57,863	16.5	20.0
NEW JERSEY	80.9	43,806	13.5	15.6
LOUISIANA	72.2	39,626	18.3	16.9
CONNECTICUT	70.0	12,382	9.3	9.4
MISSISSIPPI	67.7	8,316	6.2	7.3
MICHIGAN	67.0	41,385	9.2	10.4
TEXAS	61.0	67,384	15.9	17.1
VIRGINIA	59.8	24,494	15.5	18.6
KENTUCKY	48.0	9,911	8.1	8.0
INDIANA	46.4	8,362	7.1	6.0
PENNSYLVANIA	44.2	63,716	18.1	17.8
CALIFORNIA	42.9	42,867	5.5	7.0
WASHINGTON	39.8	12,170	14.6	14.2
MISSOURI	39.7	7,662	8.3	7.7
TENNESSEE	35.8	13,207	12.2	10.1
OKLAHOMA	33.1	6,621	9.1	9.8
ILLINOIS	32.1	22,224	9.4	10.4
ARKANSAS	31.9	8,533	12.8	11.9
NEW YORK	30.5	116,060	14.5	11.2
GEORGIA	26.7	7,992	8.2	7.5
MARYLAND	20.4	5,115	10.3	8.4
WISCONSIN	13.2	5,781	8.7	7.4
TOTAL TOP 28	59.3	938,806	11.2	11.9
ALL OTHERS	61.6	116,072	11.9	12.5
NATIONAL TOTAL	59.5	1,054,878	11.3	11.9

TABLE 2A

Table 2A presents a State-by-State breakdown of ICF/MR facilities and beds between public and private providers.

- o While private ICF/MR facilities outnumber public institutions by almost 3 to 1, the public facilities house over 70 percent of all certified ICF/MR beds.

- o On a national basis, public ICFs/MR have nearly 7 times as many beds per facility as private ICFs/MR.

- o California has both the highest average number of beds per public facility (801) and the lowest average per private facility (5).

TABLE 2B

Table 2B provides a combined count of public and private ICF/MR facilities and beds by State, as well as the average Federal Medicaid expenditures per bed by State. The average expenditure figures were derived by dividing the States' latest FY 1984 ICF/MR MAP estimates by the latest count of certified beds.

- o Minnesota and New York alone account for almost one-third of all ICF/MR facilities. These 2 States, however, have only 16 percent of the total number of certified beds, as they both have low average numbers of beds per facility.

- o Seven States (California, Massachusetts, Minnesota, New York, Ohio, Pennsylvania, and Texas) are each currently projecting FY 1984 ICF/MR expenditures in excess of $100 million (Federal share). These States account for slightly more than 50 percent of the total Federal share of MAP for ICF/MR services.

- o Massachusetts has the highest average level of expenditures per bed, $32,345 Federal share ($64,522 total Federal and State shares) and Illinois the lowest, $10,054 Federal share ($20,109 total Federal and State shares). Nearly 97 percent of Massachusetts' ICF/MR beds are in public facilities, while Illinois' beds are fairly evenly divided between public and private facilities.

TABLE 2A

ICF/MR FACILITIES AND BEDS BY STATE: PUBLIC VS PRIVATE, FISCAL YEAR 1984

	PUBLIC			PRIVATE		
	ICF/MR FACILITIES	ICF/MR BEDS	AVERAGE BEDS PER FACILITY	ICF/MR FACILITIES	ICF/MR BEDS	AVERAGE BEDS PER FACILITY
ALABAMA	4	1,523	381	0	0	0
ARKANSAS	6	1,408	235	1	53	53
CALIFORNIA	8	6,406	801	88	432	5
CONNECTICUT	36	836	23	8	78	10
FLORIDA	30	1,374	46	29	1,662	57
GEORGIA	10	2,123	212	2	230	115
ILLINOIS	17	4,090	241	57	4,614	81
INDIANA	7	720	103	108	1,177	11
KENTUCKY	3	690	230	6	733	122
LOUISIANA	19	3,347	176	64	2,044	32
MARYLAND	10	2,335	234	0	0	0
MASSACHUSETTS DPW	8	3,486	436	14	116	8
MICHIGAN	86	4,505	52	77	464	6
MINNESOTA	10	2,595	260	337	5,070	15
MISSISSIPPI	7	819	117	7	763	109
MISSOURI	7	1,482	212	5	104	21
NEW JERSEY	9	3,705	412	2	68	34
NEW YORK	85	11,665	137	274	3,151	12
NORTH CAROLINA	7	2,429	347	9	387	43
OHIO	30	2,450	82	88	3,481	40
OKLAHOMA	2	1,283	642	0	0	0
PENNSYLVANIA	20	6,940	347	69	1,691	25
SOUTH CAROLINA	34	2,386	70	8	244	31
TENNESSEE	3	1,390	463	14	252	18
TEXAS	50	9,012	180	80	3,539	44
VIRGINIA	10	3,457	346	5	127	25
WASHINGTON	6	2,170	362	32	852	27
WISCONSIN	3	2,194	731	30	1,755	59
TOTAL TOP 28	527	86,820	165	1,414	33,087	23
ALL OTHERS	64	12,697	198	219	7,051	32
NATIONAL TOTAL	591	99,517	168	1,633	40,138	25

TABLE 2B

ICF/MR FACILITIES, BEDS, AND EXPENDITURES BY STATE: FISCAL YEAR 1984
(COMBINED PUBLIC & PRIVATE, FEDERAL SHARE)

	ICF/MR FACILITIES	ICF/MR BEDS	AVERAGE BEDS PER FACILITY	ICF/MR EXPENDITURES	AVERAGE EXPENDITURES PER BED
	**********	*********	*********	**********	**********
ALABAMA	4	1,523	381	32,715,000	21,481
ARKANSAS	7	1,461	209	31,057,000	21,257
CALIFORNIA	96	6,838	71	129,317,000	18,912
CONNECTICUT	44	914	21	24,948,000	27,295
FLORIDA	59	3,036	51	51,070,000	16,821
GEORGIA	12	2,353	196	33,517,000	14,244
ILLINOIS	74	8,704	118	87,514,000	10,054
INDIANA	115	1,897	16	23,066,000	12,159
KENTUCKY	9	1,423	158	27,492,000	19,320
LOUISIANA	83	5,391	65	76,579,000	14,205
MARYLAND	10	2,335	234	26,468,000	11,335
MASSACHUSETTS DPW	22	3,602	164	116,507,000	32,345
MICHIGAN	163	4,969	30	71,515,000	14,392
MINNESOTA	347	7,665	22	101,404,000	13,229
MISSISSIPPI	14	1,582	113	19,067,000	12,052
MISSOURI	12	1,586	132	23,385,000	14,745
NEW JERSEY	11	3,773	343	82,284,000	21,809
NEW YORK	359	14,816	41	453,072,000	30,580
NORTH CAROLINA	16	2,816	176	67,393,000	23,932
OHIO	118	5,931	50	105,628,000	17,809
OKLAHOMA	2	1,283	642	23,922,000	18,645
PENNSYLVANIA	89	8,631	97	200,866,000	23,273
SOUTH CAROLINA	42	2,630	63	37,674,000	14,325
TENNESSEE	17	1,642	97	43,859,000	26,711
TEXAS	130	12,551	97	153,403,000	12,222
VIRGINIA	15	3,584	239	55,845,000	15,582
WASHINGTON	38	3,022	80	36,892,000	12,208
WISCONSIN	33	3,949	120	47,635,000	12,063
TOTAL TOP 28	1,941	119,907	62	2,184,094,000	18,215
ALL OTHERS	283	19,748	70	265,078,000	13,423
NATIONAL TOTAL	2,224	139,655	63	2,449,172,000	17,537

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